CBR

IT firms face future of permanent volatility

Published:03-December-2009

By Janine Milne

Diversification is key, finds report

Technology firms must diversify and look beyond short-term cost cutting to buffer themselves against a future of 'permanent volatility'.

Erratic consumer demand, market instability and greater transportation costs are creating an uncertain landscape for technology vendors, according to a report by independent think tank FreshMinds.

Report contributor Yossi Sheffi, director of the centre for transportation & logistics at MIT said: "The market for technology companies has always been volatile and that volatility is increasing, not just because of the recession, but because the race to produce new products is increasing."

With the product window getting ever shorter before a newer, shinier offering is released by a competitor, the faster companies can push products out the door, the more likely they are to succeed.

To combat this volatility, companies must diversify into new markets or geographies to spread the risk, while balancing the risks of over diversifying their business and drowning in complexity. Long-term investment in supply chain was also identified as key.

"Most companies are stepping up to the plate, but although many will do that with their own products they don't put enough effort into understanding the changing social environment," said Sheffi.

Companies that ignore the importance of environmental responsibility, for example, risk alienating their customers, so listening to what is important to customers is vital, said Sheffi.

The DHL Supply Chain-commissioned report: Embrace Volatility – A route to steer technology supply chains out of the recession, is based on interviews with 30 technology companies and technology and supply chain experts.